



News Release

Media Relations Office

Washington, D.C.

Tel. 202.622.4000

For Release: 11/22/02

Release No: IR-2002-125

**IRS ANNOUNCES NEW ARBITRAGE OUTREACH,
SEEKS COMMENTS ON TAX-EXEMPT BOND FORMS**

WASHINGTON – Mark Scott, Director of the IRS's Tax Exempt Bonds division, announced today a new outreach coordination effort in the area of arbitrage with the creation of additional tax-exempt bond stakeholder groups and sub-groups. One of the new sub-groups in the Municipal Bond Market Participants Group is for Rebate Consultants, Auditors & Other Professionals.

The goal in creating this new sub-group is to establish relationships with firms serving as arbitrage consultants to issuers of municipal bonds in order to better identify emerging issues and provide needed guidance. Arbitrage is the profit that results from investing the proceeds of tax-exempt bonds in higher yielding taxable securities. Tax law generally requires a rebate of arbitrage profits to the U.S. Treasury.

"This new arbitrage coordination effort complements the other specialized outreach efforts we already have in place," Scott said. "Our tax-exempt bond specialists are assigned to coordinate various outreach activities with a number of groups in the tax-exempt bond community, including bond issuers, bond counsel and underwriters."

A list of IRS tax-exempt bond Stakeholder Groups and Sub-Groups and the individual tax-exempt bond specialist assigned as the respective outreach coordinator is on the IRS Web site, at www.irs.gov/bonds under "*Outreach and Educational Services Program*".

In connection with its new arbitrage outreach program, the IRS announced that it is seeking comments and suggestions for improving two forms concerning arbitrage rebate that are used by issuers of tax-exempt bonds.

Form 8038-T is used by bond issuers to submit payments required so their bonds will remain tax exempt under section 148(f) of the Internal Revenue Code. Such payments include arbitrage rebate, yield reduction and penalties in lieu of rebate. Form 8038-R is used to request a recovery of overpayments made under section 148.

"We are seeking suggestions and comments from the bond community because we hope their experience filing these forms will generate suggestions we can use to make the forms and instructions simpler," said Scott.

Comments received by January 31, 2003 will be considered in making future revisions to the forms. The current forms are available on the IRS website at www.irs.gov/bonds.

(more)

Written comments may be sent by mail to:

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